

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 OPIC-03

PA-01 PRS-01 /094 W

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R 190430Z FEB 76

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8690

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E.O. 11652: N/A

TAGS: EMIN, TH

SUBJ: PETROLEUM DEVELOPMENTS

REF: BANGKOK 3344

1. ACCORDING BANGKOK PRESS REPORTS, CABINET ON FEB 17 APPROVED PROPOSALS THAT GOVERNMENT: 1) BUY UP REMAINDER OF SUMMIT OIL COMPANY'S LEASE ON REFINERY OWNED BY MINISTRY OF DEFENSE (MND), AND 2) PROVIDE 100 MILLION BAHT IN SUBSIDIES TO OIL MARKETING COMPANIES IN ORDER TO FORESTALL INCREASE IN PRICE OF POL PRODUCTS TO CONSUMERS. MINISTRY OF DEFENSE HAS REPORTEDLY BEEN DESIGNATED TO NEGOTIATE WITH SUMMIT ABOUT COMPENSATION FOR PHYSICAL ASSETS AND LEASE WHICH EXPIRES IN 1990.

2. TAKE OVER OF SUMMIT REFINERY HAS BEEN RECURRENT THEME IN SUCCESSION OF GOVERNMENTS IN LAST TWO YEARS, LARGELY BECAUSE OF CONSTANT SQUABBLES BETWEEN SUMMIT AND RTG OVER VARIETY OF ISSUES. SUMMIT OFFICIALS, TOO, HAVE REPEATEDLY STRESSED THEIR DESIRE TO SELL OUT TO RTG, AT A REASONABLE PRICE (SUMMIT HAS CLOSE TIES WITH, AND MANY OF ITS TECHNICIANS ARE FROM, TAIWAN). THE
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SUMMIT-MND NEGOTIATIONS, REGARDLESS OF THE OUTCOME, MAY

WELL WHET THE APPETITES OF THOSE GROUPS WHICH FAVOR
NATIONALIZATION OF FOREIGN OIL INTERESTS,PARTICULARLY
DURING UPCOMING ELECTION PERIOD.

3. U.S. OIL COMPANY EXECUTIVES WHO ATTENDED MEETING WITH
RTG OIL POLICY COMMITTEE FEB 17 BELIEVE THEY CAN LIVE WITH
THE SUBSIDY PLAN VOTED BY THE CABINET, BUT POINT OUT THAT
UNDER THE PLAN CALTEX, AND PERHAPS SOME OTHER FIRMS, WILL
NOT GET THEIR MONEY UNTIL NEXT JANUARY AND THAT, IN THE
MEANTIME, THE ROAD MAY BE ROCKY, BEGINNING NEXT WEEK.
SITUATION IS THIS:

A. THE SUBSIDY--STEMMING FROM THE GAP BETWEEN LAST
OCTOBER'S OPEC PRICE INCREASE AND THE RTG'S CONTROLLED RETAIL
PRICE--WILL COVER MOST OF THE LOSSES CURRENTLY BEING
ABSORBED BY THE COMPANIES. FOR MOST, HOWEVER, THERE WILL
REMAIN A SHORTFALL OF THREE STANGS PER LITER.

B. THE SUBSIDY-- WHICH TAKES VARYING FORMS, DEPENDING ON EACH
FIRM'S PRODUCT MIX, OR IN SUMMIT'S CASE, REFINERY OWNERSHIP--
HAS BEEN APPROVED ONLY UNTIL APRIL 30. THIS WILL GET THE
GOVERNMENT THROUGH THE ELECTION, AND LEAVE IT UP TO THE
SUCCESSOR GOVERNMENT TO FIND A PERMANENT SOLUTION.

C. MOST OF THE OIL COMPANIES ARE NOW WEIGHING THEIR OPTIONS,
BUT CALTEX, WITH THE GOVERNMENT'S KNOWLEDGE, PLANS TO PASS THE
THREE-STANG SHORTFALL ALONG TO RETAIL DEALERS LATE THIS WEEK
OR EARLY NEXT, WITH THE INTENT THAT DEALERS ABSORB 1.5
STANGS AND PASS ALONG 1.5 TO CONSUMERS. THIS MAY WELL
GENERATE ALLEGATIONS THAT THE COMPANIES, DESPITE BEING
SUBSIDIZED BY THE GOVERNMENT, ARE GOUGING THE PUBLIC. OIL-
MEN SAY THE GOVERNMENT IS UNWILLING TO EXPLAIN THE
SITUATION TO THE PUBLIC BEFORE THE FACT.

D. IF ALL GOES WELL, THE RTG WILL NEXT JANUARY REFUND TO
THE COMPANIES THE LOSSES ABSORBED BY THEM IN THE INTERIM,
PLUS 11 PERCENT INTEREST. MEANTIME, OF COURSE, THE
COMPANIES ARE EXPOSED AND HIGHLY VULNERABLE.

4. AS WITH THE REFINERY ISSUE, SOME CANDIDATES FOR ELECTION
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MAY NOT BE ABLE TO RESIST THE TEMPTATION TO DABBLE IN THE
OIL PRICE ISSUE, AND TO DEMAND REVISION OF THE SUBSIDY
FORMULA.
WHITEHOUSE

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